

Woodland School

**FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

June 30, 2008

CONTENTS

	<u>Page</u>
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	i
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS.....	2
FINANCIAL STATEMENTS	
STATEMENT OF NET ASSETS.....	4
STATEMENT OF ACTIVITIES	5
BALANCE SHEET - GOVERNMENTAL FUNDS	6
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	7
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE DISTRICT-WIDE STATEMENT OF ACTIVITIES	8
STATEMENT OF FIDUCIARY NET ASSETS.....	9
NOTES TO FINANCIAL STATEMENTS.....	10
REQUIRED SUPPLEMENTARY INFORMATION	
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND	19
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	20

Woodland School MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Woodland School annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2008.

Financial Highlights

Total General Fund revenues were \$1,433,873. Revenues exceeded expenditures by \$1,663.

Total General Fund ending fund balance was \$567,933.

The total cost of instructional programs was \$725,407 (last year \$724,382).

Enrollment in the District began at 191 and ended 07-08 at 187 (our goal is to be between 195-205).

Outlays for capital assets from the General Fund totaled \$52,989 and consisted primarily of improvements to roofs.

Overview of the Financial Statements

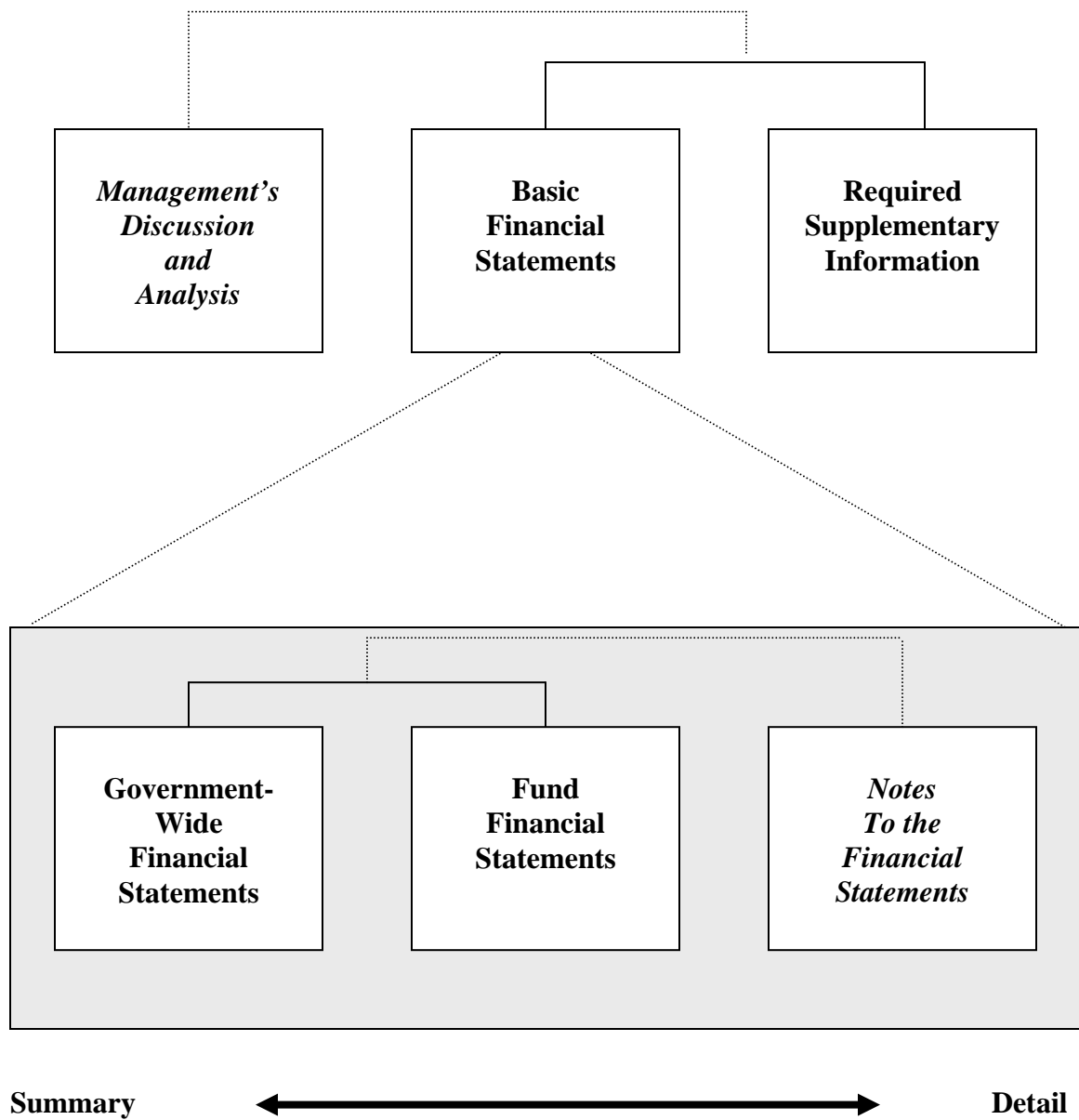
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements*. These statements provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the District-wide statements.
 - The *governmental funds statements* tell how basic services such as regular and added needs programs were financed in the *short-term* as well as what remains for future spending.
 - *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

The composition of the financial report is as follows:

Figure A-1



LEA'S Figure A-2
Major Features of Government-Wide and Fund Financial Statements

	<u>Government-Wide Statements</u>	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire District government (except fiduciary funds) and the District's component units	The activities of the District that are not fiduciary	Instances in which the District is the trustee or agent for someone else's resources such as material for scholarships funds
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; the District's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

District-Wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are reported as *governmental activities*. The District's basic services are included here, such as regular and added needs education and administration. State formula aid finances these activities with minimal contributions from grants (generally less than 2% of total revenues).

The District has no activities meeting the definition of *business-type activities* as interpreted by the Michigan Department of Education.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds* - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Education establishes other funds to control and manage money for particular purposes, e.g., the Trust and Agency Fund.

The District has two kinds of funds:

Governmental funds - Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

Fiduciary funds—The District is the trustee, or *fiduciary*, for assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the District’s government-wide financial statements because the District cannot use these assets to finance its operations.

Summary of Net Assets (provides a perspective of the School District as a whole)

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Assets		
Current assets	\$ 567,933	\$ 566,270
Capital assets, net	3,067,626	3,141,723
Other non-current assets	<u>89,395</u>	<u>123,665</u>
Total assets	<u>\$3,724,954</u>	<u>\$3,831,658</u>
Liabilities		
Total current liabilities	\$ 101,064	\$ 96,346
Total long-term liabilities	<u>2,584,849</u>	<u>2,633,887</u>
Total liabilities	<u>\$2,685,913</u>	<u>\$2,730,233</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 471,108	\$ 535,155
Unrestricted	<u>567,933</u>	<u>566,270</u>
Total net assets	<u>1,039,041</u>	<u>1,101,425</u>
Total liabilities and net assets	<u>\$3,724,954</u>	<u>\$3,831,658</u>

The analysis above focuses on the net assets of the District while the change in these net assets is discussed below. The School District’s net assets were \$1,039,041 at June 30, 2008. Capital assets net of related debt reports the original cost, less depreciation of capital assets minus long-term debt used to finance these acquisitions. Most of the debt will be repaid from State aid. Restricted assets are disclosed in the footnotes to indicate legislative requirements and debt covenants. These assets may not be used by the District in its day-to-day operations. \$567,933 of net assets is unrestricted. This figure represents the accumulated results of all past years’ operations. Year to year variances in these assets are significantly affected by General Fund operations.

Statement of Activities (provides the results of operations of the School District as a whole)

Revenues:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Program Revenues:		
Operating grants and contributions	\$ 12,930	\$ 18,671
Capital grants and contributions	30,536	-
General Revenues:		
State and Federal aid	1,384,219	1,323,568
Interest and other	6,188	44,510
Loss on sale of equipment	<u>(51,895)</u>	<u>(15,075)</u>
Total revenues	<u>\$1,381,978</u>	<u>\$1,371,674</u>

Expenses:

Instruction	\$ 725,407	\$ 724,382
Support services	422,428	442,725
Interest on long-term debt & Loan fee amortization	169,441	172,490
Depreciation	<u>127,086</u>	<u>121,763</u>
Total Expenses	<u>\$1,444,362</u>	<u>\$1,461,360</u>
Increase (decrease) in net assets	(62,384)	(89,686)
Net assets, beginning of year	<u>1,101,425</u>	<u>1,191,111</u>
Net assets, end of year	<u>\$1,039,041</u>	<u>\$1,101,425</u>

The School District experienced a decrease of \$62,384 in net assets. The difference between the change in net assets and the change in fund balance is provided in a reconciliation in the financial statements.

Financial Analysis of the District's Funds

As the District completed the year, its governmental funds reported combined fund balance of \$567,933 a .3 percent increase over last year's ending fund balance of \$566,270.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. These budget amendments fall into three categories:

- Changes made to account for new revenue sources and the accompanying expenditures.
- Changes in State aid allocations.
- Increases in appropriations to prevent budget overruns.

The District's final budget for the general fund anticipated that expenditures would exceed revenues by \$128,355; the actual results for the year show a \$1,663 surplus. This difference is due to savings in various expenditure categories.

- Actual revenues were approximately \$45,000 above final budgeted revenues.
- Actual expenditures were approximately \$85,000 below final budgeted expenditures.

Capital Assets

By the end of 2008, the District had invested \$3,067,626 in a broad range of capital assets, including school buildings, land, and administrative offices. Total depreciation expense for the year was \$127,086. During the year, the District added \$52,989 of capital assets; primarily for improvements to building roofs and the final completion on construction of a new performance hall and gymnasium.

Debt

A summary of indebtedness follows:

<u>Balance</u> <u>June 30, 2008</u>	<u>Balance</u> <u>June 30, 2007</u>
\$2,634,018	\$2,730,233

No new debt was added during the fiscal year.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was unaware of any existing circumstances that could significantly affect its financial health in the future.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Administration Office, at address 7224 Supply Road, Traverse City, MI 49686.



Business and Financial Advisors

Our clients' success – our business

Thomas E. Gartland, CPA
Brad P. Niergarth, CPA
James G. Shumate, CPA
Robert C. Thompson, CPA
Michael D. Shaw, CPA
Mary F. Krantz, CPA
Shelly K. Bedford, CPA
Heidi M. Wendel, CPA

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Academy Board
Woodland School

We have audited the accompanying financial statements of the governmental activities, each major fund and aggregate remaining fund information of **Woodland School** (the "School") as of and for the year ended June 30, 2008, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Woodland School as of June 30, 2008, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2008 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Member of



415 Munson Avenue, Post Office Box 947
Traverse City, Michigan 49685-0947
231.946.1722, FAX: 231.946.2762
www.dgncpa.com

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The management's discussion and analysis on pages i - vii and the budgetary comparison information on page 19, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Dennis, Gartland & Niergarth

October 3, 2008

Woodland School

STATEMENT OF NET ASSETS

June 30, 2008

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 306,515
Receivables	<u>261,418</u>
Total current assets	<u>567,933</u>
Non-current assets	
Capital assets, net of accumulated depreciation	3,067,626
Loan fees, net of accumulated amortization	<u>89,395</u>
Total non-current assets	<u>3,157,021</u>
Total assets	<u><u>\$ 3,724,954</u></u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Current liabilities	
Current portion of notes payable	<u>\$ 101,064</u>
Long-term liabilities	
Interest rate swap payable	51,895
Notes payable, net	<u>2,532,954</u>
Total long-term liabilities	<u>2,584,849</u>
Total liabilities	<u>2,685,913</u>
NET ASSETS	
Invested in capital assets, net of related debt	471,108
Unrestricted	<u>567,933</u>
Total net assets	<u>1,039,041</u>
Total liabilities and net assets	<u><u>\$ 3,724,954</u></u>

The accompanying notes are an integral part of these financial statements.

Woodland School

STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

<u>Functions/Program</u>	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets Governmental Activities</u>
Governmental activities				
Instruction	\$ 725,407	\$ 12,930	\$ 30,536	\$ (681,941)
Supporting services	422,428	-	-	(422,428)
Interest and loan fee amortization	169,441	-	-	(169,441)
Depreciation-unallocated	<u>127,086</u>	<u>-</u>	<u>-</u>	<u>(127,086)</u>
Total governmental activities	<u><u>\$1,444,362</u></u>	<u><u>\$ 12,930</u></u>	<u><u>\$ 30,536</u></u>	<u><u>(1,400,896)</u></u>
General purpose revenues				
State school aid - unrestricted				1,384,219
Interest and other - unrestricted				6,188
Special items				
Loss on interest rate swap				<u>(51,895)</u>
Total general purpose revenues				<u><u>1,338,512</u></u>
Change in net assets				(62,384)
Net assets, beginning of year				<u><u>1,101,425</u></u>
Net assets, end of year				<u><u>\$ 1,039,041</u></u>

The accompanying notes are an integral part of these financial statements.

Woodland School

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2008

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 306,515
Receivables	250,782
Due from other funds	<u>10,636</u>
Total assets	<u><u>\$ 567,933</u></u>
FUND BALANCE	
Unreserved	<u><u>\$ 567,933</u></u>

Reconciliation of Governmental Fund Balances to District-Wide Governmental Activities

Net Assets

General Fund fund balance	\$ 567,933
---------------------------	------------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$3,536,176 and the accumulated depreciation is \$468,550.	3,067,626
---	-----------

Long-term note payable fees are treated as expenditures in the governmental funds. In the district-wide statement, long-term note payable fees are capitalized and amortized over the life of the note payable. The cost of the note payable fees is \$271,735 and the accumulated amortization is \$182,340.	89,395
---	--------

Long-term notes payable are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. The amount of long-term notes payable at year-end is:	(2,634,018)
---	-------------

Long-term interest rate swap payable is not due and payable in the current period and therefore, is not reported in the fund.	<u>(51,895)</u>
---	-----------------

Total net assets - governmental activities	<u><u>\$ 1,039,041</u></u>
--	----------------------------

Woodland School

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended June 30, 2008

	<u>General Fund</u>
Revenues	
Interest	\$ 6,188
State revenues	1,384,219
Federal revenues	30,536
Other	<u>12,930</u>
Total revenues	<u>1,433,873</u>
Expenditures	
Instruction	725,407
Supporting services	422,428
Debt service	
Principal	96,215
Interest	135,171
Capital outlay	<u>52,989</u>
Total expenditures	<u>1,432,210</u>
REVENUES OVER EXPENDITURES	1,663
Fund balance, beginning of year	<u>566,270</u>
Fund balance, end of year	<u><u>\$ 567,933</u></u>

The accompanying notes are an integral part of these financial statements.

Woodland School

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE DISTRICT-WIDE STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$	1,663
---	-----------	--------------

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, costs that meet the capitalization policy are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capitalized outlays exceeds depreciation in the period.

Capital outlays	\$	52,989	
Depreciation expense		<u>(127,086)</u>	(74,097)

Repayment of note payable principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.

96,215

Long-term note payable fees are treated as expenditures in the governmental funds. In the district-wide statement, long-term note payable fees are capitalized and amortized over the life of the note payable. The amount of note payable fee amortization in the period is:

(34,270)

Loss on interest rate swap is recognized as an expenditure when it is due in the governmental funds. However, in the Statement of Activities, it is recognized as it is accrued, regardless of when it is due.

(51,895)

CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>(62,384)</u>
---	-----------	------------------------

Woodland School

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2008

Agency Fund

ASSETS

Cash and cash equivalents

\$ 35,295

LIABILITIES

Due to General Fund

\$ 10,636

Due to student and faculty groups

24,659

Total liabilities

\$ 35,295

Woodland School

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

Woodland School (the "School") is a public school academy that primarily serves the communities in and around the Grand Traverse area.

The accounting policies of the School conform to generally accepted accounting principles as applicable to governments. Following is a summary of the more significant accounting policies:

The Financial Reporting Entity

Woodland School is a public school academy organized under Act No. 362 of the Michigan Public Acts of 1993. An academy is a corporation organized under the Michigan Nonprofit Corporation Act for the purpose of operating as an academy and as a governmental entity. For Federal tax purposes, an academy is exempt from taxes because its income is derived from the exercise of an essential governmental function and is not eligible for recognition of exemption under Section 501(c)(3) of the Internal Revenue Code.

The School is overseen by Saginaw Valley State University, which is known as the authorizing body. A fiscal agent agreement was made effective August 1, 1996. However, the Woodland School Academy Board (the "Board") is the basic level of government which has oversight responsibility and control over all activities related to the public school academy education. The Board receives funding from State and Federal government sources and must comply with the concomitant requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity," as defined by Governmental Accounting Standards Board ("GASB") Statement 14, since Board members have decision-making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. In addition, under the criteria of the GASB pronouncement, student, parent and teacher organizations are not included, except to the extent that the School holds assets in the capacity of an agent.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the School as a whole, except for its fiduciary activities. Individual funds are not displayed.

NOTES TO FINANCIAL STATEMENTS - Continued

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the School's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

The balance sheet and statement of revenues, expenditures and changes in fund balances (i.e., fund financial statements) for the School's governmental funds are presented after the government-wide statements. These statements display information about major funds individually and non-major funds in the aggregate for governmental funds. Major funds are generally those that represent 10% or more of governmental fund assets, liabilities, revenues or expenditures.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the School are prepared in accordance with generally accepted accounting principles ("GAAP"). The School's reporting entity applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements and applicable Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board ("APB") opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The School's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resource measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting, although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for note payable principal and interest, and interest rate swap payable, which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include intergovernmental revenues and investment income. In general, other revenues are recognized when cash is received.

NOTES TO FINANCIAL STATEMENTS - Continued

Fund Types and Major Funds

Activities in Major Funds

The General Fund is the general operating fund of the School. It is used to account for all financial resources except those required to be accounted for in another fund.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the School in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Cash and Equivalents

The School reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

Capital Assets

Capital assets are recorded at cost or, if donated, the fair value at the time of donation. Capital assets are depreciated over their estimated useful lives ranging from 15 to 50 years. The School generally capitalizes assets with cost of \$5,000 or more as purchase and construction outlays occur. No depreciation is recorded on land or construction-in-process. Expenditures for major renewals and betterments that extend the useful lives of the capital assets are capitalized. Expenditures for maintenance and repairs are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements	15-50 years
Improvements, other than buildings	20-30 years
Furniture and equipment	15-25 years

Long-Term Debt and Deferred Debt Expense

In the government-wide financial statements, outstanding debt and interest rate swap payables are reported as a liability. Note payable issuance costs are capitalized and amortized over the life of the respective note using the straight-line method.

The governmental fund financial statements recognize the proceeds of debt as other financing sources of the current period. Issuance costs are reported as other financing uses.

NOTES TO FINANCIAL STATEMENTS - Continued

Fund Equity

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes.

Spending Policy

The School's policy is to apply restricted revenues first when an expense is incurred for purposes when both restricted and unrestricted net assets are available.

Allocation of Expenses

The School reports each function's direct expenses, those that are specifically associated with a service, program or department and, thus, are clearly identifiable to a particular function.

The School has elected to not allocate indirect expenses.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

NOTE B - BUDGETARY POLICY AND PRACTICE

Michigan Public Act 621 of 1978 provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2008, the School was out of compliance with the act as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Debt Service	<u>\$ 228,000</u>	<u>\$ 231,386</u>	<u>\$ (3,386)</u>

NOTE C - CASH AND INVESTMENTS

At June 30, 2008, the School's cash and investments include the following:

	<u>Balance Sheet Classification</u>		
	<u>Cash and Equivalents</u>	<u>Investments</u>	<u>Total</u>
Bank deposits	<u>\$ 341,810</u>	<u>\$ -</u>	<u>\$ 341,810</u>

NOTES TO FINANCIAL STATEMENTS - Continued

Custodial Credit Risk - Deposits

In the event of a bank failure, the School's deposits may not be returned to it. As of June 30, 2008, \$246,339 of the School's bank balance of \$346,339 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE D - STATE SCHOOL AID

Saginaw Valley State University receives State School Aid payments and transfers these monies, less a fee of 3% of the per pupil funding, to the School within ten days of receipt. This 3% fee is the oversight fee required by Saginaw Valley State University.

State Aid is based on enrollment and is paid in 11 installments, with the final two installments totaling approximately \$251,000 to be received in July and August 2008.

NOTE E - INVESTMENTS IN CAPITAL ASSETS

Investments in capital assets consist of the following:

	<u>July 1, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2008</u>
Buildings and improvements	\$ 2,768,376	\$ 34,932	\$ -	\$ 2,803,308
Furniture and equipment	21,218	18,057	-	39,275
Land improvements	<u>241,428</u>	<u>-</u>	<u>-</u>	<u>241,428</u>
Total depreciable assets	3,031,022	52,989	-	3,084,011
Less accumulated depreciation	(341,464)	(127,086)	-	(468,550)
Land	<u>452,165</u>	<u>-</u>	<u>-</u>	<u>452,165</u>
Total capital assets, net	<u><u>\$ 3,141,723</u></u>	<u><u>\$ (74,097)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,067,626</u></u>

Depreciation expense was charged to the function in the statement of activities, as follows:

Unallocated	<u><u>\$ 127,086</u></u>
-------------	--------------------------

NOTE F - LONG-TERM LIABILITIES

The changes in long-term liabilities during the year are as follows:

<u>Balance</u> <u>June 30, 2007</u>	<u>Additional</u> <u>Borrowings</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Current</u> <u>Portion</u>
\$2,730,233	\$-	\$96,215	\$2,634,018	\$101,064

NOTES TO FINANCIAL STATEMENTS - Continued

At June 30, 2008, the School's long-term debt consisted of the following:

2006 Note Payable and Interest Rate Swap

In February 2006, the School entered into a five-year pay fixed, receive floating, interest rate swap for the purpose of hedging variable interest rate debt on its facilities. Under the terms of the interest rate swap, the School makes payments based on a fixed rate and will receive interest payments based on the LIBOR rate. The interest rate swap settles on the 2nd day of each month until expiration. As a result of entering into the interest rate swap, the School has mitigated its exposure to interest rate fluctuations. Therefore interest on the note is effectively at a fixed rate of 5.98% until February 2011. The outstanding balance of the underlying note was \$910,474 at June 30, 2008. The note is secured by all assets of the School. Repayment of the note began in August 2006. The market value of the swap is based on changes in LIBOR at June 30, 2008 compared to the fixed rate. A liability in the amount of \$22,379 has been recorded at June 30, 2008 to reflect the level of the LIBOR rate.

Principal and interest maturities on the debt are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 29,423	\$ 53,648
2010	31,169	51,837
2011	<u>849,882</u>	<u>37,623</u>
	<u>\$ 910,474</u>	<u>\$ 143,108</u>

2004 Note Payable and Interest Rate Swap

In February 2004, the School entered into a seven-year pay fixed, receive floating, interest rate swap for the purpose of hedging variable interest rate debt on its facilities. Under the terms of the interest rate swap, the School makes payments based on a fixed rate and will receive interest payments based on the LIBOR rate. The interest rate swap settles on the 29th day of each month until expiration. As a result of entering into the interest rate swap, the School has mitigated its exposure to interest rate fluctuations. Therefore interest on the note is effectively at a fixed rate of 4.45% until February 2011. The outstanding balance of the underlying note was \$1,723,544 at June 30, 2008. The note is secured by all School assets. The market value of the swap is based on changes in LIBOR at June 30, 2008 compared to the fixed rate. A liability in the amount of \$29,516 has been recorded at June 30, 2008 to reflect the level of the LIBOR rate.

Principal and interest maturities on the debt are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 71,641	\$ 74,572
2010	74,864	71,348
2011	<u>1,577,039</u>	<u>40,073</u>
	<u>\$ 1,723,544</u>	<u>\$ 185,993</u>

NOTES TO FINANCIAL STATEMENTS - Continued

Interest expense for the year ended June 30, 2008 was approximately \$135,000.

NOTE G - RISK MANAGEMENT

During the normal course of its operations, the School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; unemployment benefits; and natural disasters. In all instances, other than employment, the School has retained coverage through commercial insurance carriers. Losses have been within insured limits.

NOTE H - BALANCES AND TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY

Receivables and Payables

Generally, outstanding balances between funds reported as "due to/from other funds" include miscellaneous receivables/payables between funds.

Interfund receivables and payables as reported in the governmental fund financial statements at June 30, 2008 are as follows:

<u>Interfund Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 10,636	\$ -
Agency Fund	<u>-</u>	<u>10,636</u>
	<u>\$ 10,636</u>	<u>\$ 10,636</u>

NOTE I - RETIREMENT PLAN

The School participates in the Advance Staff Leasing, Inc. 401(k) Plan. All salaried employees are eligible to participate. Hourly employees must complete one year of service (with a minimum of 1,000 hours of service) to be eligible to participate. The School must contribute 5% of employees' wages to the plan and employees may contribute up to 15% of their annual wages. Employees are fully vested in employer contributions after two (2) years. Employer contributions for the year ended June 30, 2008, 2007 and 2006 were approximately \$30,000, \$30,000 and \$28,000, respectively, and were included in the gross amount paid to Advance Staff Leasing, Inc. (see Note J).

NOTE J - EMPLOYEE LEASE AND ADMINISTRATIVE SERVICES AGREEMENT

The employees of the School are leased from Advance Staff Leasing, Inc. ("Advance"), a Michigan corporation in Lansing, Michigan. The School is involved with the selection of employees; however, the final selection and assignment of personnel is made by Advance. The agreement was effective July 1, 1999 and continues until a 90-day written notice is given by either party. Advance's fee for this service is calculated as a percentage of employee's gross pay.

The School also entered into an agreement with Advanced Accounting Services, an entity related to Advance, in July 1999 for accounting services. The School pays \$550 per month through this agreement which is subject to a 30-day written cancellation notice by either party.

REQUIRED SUPPLEMENTARY INFORMATION

Woodland School

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual Total
Revenues					
Local and intermediate sources	\$ 7,000	\$ 7,000	\$ 6,188	\$ -	\$ (812)
State program revenues	1,399,824	1,337,017	1,384,219	(62,807)	47,202
Federal program revenues	40,000	40,000	30,536	-	(9,464)
Other	<u>5,000</u>	<u>5,000</u>	<u>12,930</u>	<u>-</u>	<u>7,930</u>
Total revenues	<u>1,451,824</u>	<u>1,389,017</u>	<u>1,433,873</u>	<u>(62,807)</u>	<u>44,856</u>
Expenditures					
Instruction	783,160	783,160	725,407	-	57,753
Supporting services	444,212	444,212	422,428	-	21,784
Capital outlay	36,000	62,000	52,989	(26,000)	9,011
Debt service	<u>228,000</u>	<u>228,000</u>	<u>231,386</u>	<u>-</u>	<u>(3,386)</u>
Total expenditures	<u>1,491,372</u>	<u>1,517,372</u>	<u>1,432,210</u>	<u>(26,000)</u>	<u>85,162</u>
REVENUES OVER (UNDER) EXPENDITURES	(39,548)	(128,355)	1,663	(88,807)	130,018
Fund balance, beginning of year	<u>566,270</u>	<u>566,270</u>	<u>566,270</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 526,722</u></u>	<u><u>\$ 437,915</u></u>	<u><u>\$ 567,933</u></u>	<u><u>\$ (88,807)</u></u>	<u><u>\$ 130,018</u></u>



Business and Financial Advisors
Our clients' success – our business

Thomas E. Gartland, CPA
Brad P. Niergarth, CPA
James G. Shumate, CPA
Robert C. Thompson, CPA
Michael D. Shaw, CPA
Mary F. Krantz, CPA
Shelly K. Bedford, CPA
Heidi M. Wendel, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Academy Board
Woodland School

We have audited the financial statements of the governmental activities, each major fund and aggregate remaining fund information of **Woodland School** (the "School"), as of and for the year ended June 30, 2008, which collectively comprise the School's basic financial statements and have issued our report thereon dated October 3, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles ("GAAP") such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control.

Member of



415 Munson Avenue, Post Office Box 947
Traverse City, Michigan 49685-0947
231.946.1722, FAX: 231.946.2762
www.dgncpa.com

We consider the following deficiencies to be significant deficiencies in internal control:

Segregation of Duties: The size of the administrative staff precludes proper segregation of duties for optimal internal control. Ideally, the internal control system of the School should segregate the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll from authorization and approval of transactions and account reconciliations. It is our understanding that the Board is very active in the financial oversight of the School's operations and has established an environment of active oversight responsibility. Although there is no indication of any significant errors or misappropriation of assets, we recommend the Board continue its financial oversight involvement due to the inherent lack of segregation of duties.

Reporting Financial Data: The above definition of a significant deficiency includes any condition that adversely affects the School's ability to report financial data in accordance with GAAP. As a matter of convenience, the School has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the School has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The School has committed the resources necessary to meet its internal reporting needs. In this regard, the School is not unlike many other schools of its size and nature.

Trust and Agency Authorizations: We noted some technology equipment under the US Department of Education Grant was purchased with Trust and Agency Funds. The funds were reimbursed to the Trust and Agency bank account when the grant was received. Because the Trust and Agency Funds are restricted, prior approval should be obtained if funds are spent for other than the restricted purposes.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

US Department of Education Grant: The School received a US Department of Education Title II D grant for technology purchases. The grant requires funds be spent within three days of receipt. We noted approximately \$25,000 was not spent within three days of the grant receipt and approximately \$1,500 of grant funds received remained unspent at year-end.

This report is intended solely for the information and use of the Academy Board, management, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Dennis, Gartland & Niergarth

October 3, 2008



Business and Financial Advisors
Our clients' success – our business

Thomas E. Gartland, CPA
Brad P. Niergarth, CPA
James G. Shumate, CPA
Robert C. Thompson, CPA
Michael D. Shaw, CPA
Mary F. Krantz, CPA
Shelly K. Bedford, CPA
Heidi M. Wendel, CPA

AUDIT-RELATED COMMUNICATIONS

To the Academy Board
Woodland School

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Woodland School (the "School") for the year ended June 30, 2008, and have issued our report thereon dated October 3, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated August 6, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the School's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Member of



415 Munson Avenue, Post Office Box 947
Traverse City, Michigan 49685-0947
231.946.1722, FAX: 231.946.2762
www.dgncpa.com

The results of our tests disclosed one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*.

US Department of Education Grant

The School received a US Department of Education Title II D grant for technology purchases. The grant requires funds be spent within three days of receipt. We noted approximately \$25,000 was not spent within three days of the grant receipt and approximately \$1,500 of grant funds received remained unspent at year-end.

Internal Controls

As part of our audit, we considered the internal control of the School. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School's internal control.

We consider the following deficiencies to be a *material weakness* in internal control:

Trust and Agency Authorizations

We noted some technology equipment under the US Department of Education Grant was purchased with Trust and Agency Funds. The funds were reimbursed to the Trust and Agency bank account when the grant was received. Because the Trust and Agency funds are restricted, prior approval should be obtained if funds are spent for other than the restricted purposes.

Segregation of Duties

The size of the administrative staff precludes proper segregation of duties for optimal internal control. Ideally, the internal control system of the School should segregate the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll from authorization and approval of transactions and account reconciliations. It is our understanding that the Board is very active in the financial oversight of the School's operations and has established an environment of active oversight responsibility. Although there is no indication of any significant errors or misappropriation of assets, we recommend the Board continue its financial oversight involvement due to the inherent lack of segregation of duties. We specifically recommend the following procedures be implemented or modified to improve your internal control environment:

1. The School Board president currently reviews all disbursements and signs all checks. We also recommend that the invoice backup for such disbursements be reviewed by the Board president during this oversight process. Ideally this could be easily achieved with an electronic scan of the invoice backup.
2. We recommend that a member of the School Board familiar with the school staff review the detail invoice for payroll from Advance Staff Leasing. This invoice is currently approved only by the School Administrator with the Board reviewing the total payroll disbursement but not indicating review of detail backup on the payroll registers.

Reporting Financial Data

The above definition of a significant deficiency includes any condition that adversely affects the School's ability to report financial data in accordance with GAAP. As a matter of convenience, the School has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the School has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The School has committed the resources necessary to meet its internal reporting needs. In this regard, the School is not unlike many other non-profit organizations and schools of its size and nature.

The following additional matters are not considered to be material weaknesses or significant deficiencies in internal control, but are opportunities to strengthen internal controls, reporting and operating efficiency:

Fixed Asset Inventory

We noted a physical asset inventory has not been done in several years. We recommend the School complete a physical asset inventory and update the asset listing to agree to the physical inventory, particularly related to assets that may have been disposed of.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters on July 28, 2008.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Woodland School are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by Woodland School during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statement in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. The most sensitive estimate in the School's financial statement was the interest rate swaps.

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the interest rate swap disclosure.

The interest rate swap disclosure in Note F to the financial statements was obtained by reviewing the June 30, 2008 swap agreements and market value calculations provided by the bank.

No Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

Unrecorded Adjustments

There was one unrecorded adjustment related to US Department of Education grant funds not spent at June 30, 2008 of approximately \$1,500.

Recorded Adjustments

The following material misstatements detected as a result of audit procedures were corrected by management:

- Reclassification of amounts borrowed from the Agency Fund and corresponding equipment purchases to the General Fund.

No Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 3, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Woodland School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Academy Board and management of Woodland School and is not intended to be and should not be used by anyone other than these specified parties.

We are pleased to serve as the School's auditors. If there are any questions about the audited financial statements or the contents of this letter, we would welcome the opportunity to discuss them at your convenience.

Dennis, Gartland & Niergarth

October 3, 2008